

Message Text

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ORIGIN EB-08

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USOECN, EXCON

E.O. 11652: XGDS-1

TAGS: ESTC, COCOM

SUBJECT: RECONDITIONED STRATEGIC EQUIPMENT

REF: A) PARIS 05993, B) COCOM DOC PROC (77) 3.5

1. WE ARE UNABLE ON THE BASIS OF THE REPORT GIVEN IN REF-
TEL TO UNDERSTAND REASONS FOR BELGIAN OPPOSITION TO US
PROPOSAL ON RECONDITIONING (AS GIVEN COCOM DOC PROC (77) 3.5
AND IN STATE 266555, NOV. 7, 1977) NOR REASON FOR STRONG
BELGIAN AND OTHER PC REACTION REPORTED REFTEL SINCE COMPRO-
MISE PROCEDURE PROPOSED BILATERALLY BY BELGIAN DEL (PARA 10,
REFTEL) APPEARS TO CLOSELY PARALLEL ONE OF THE US SUGGESTED
PROCEDURES SUGGESTED AT REF B.

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2. IN REF (B) US PROPOSED THAT SUBSIDIARIES AND LICENSEES
OF ORIGINAL MANUFACTURER COULD RECONDITION EQUIPMENT PREVIOUS-
LY SUPPLIED BY MANUFACTURER WITHOUT REFERRAL TO THE COMMIT-
TEE. THIS WOULD ALLOW BELGIAN SUBSIDIARY OR LICENSEE OF US
FIRM TO RECONDITION TAPE HEADS WITHOUT REFERRAL TO COCOM AND
WITH ONLY REPORTING TO USG BY PARENT FIRM. WE BELIEVE
THIS SHOULD SOLVE BELGIAN PROBLEM OF RECONDITIONING OF

HEADS AND POSSIBLY GERMAN INS PROBLEM OUTLINED IN (77) 73,
(77) 249, AND (77) 300.

3. THE POSSIBILITY OF RECONDITIONING COMMUNIST-BUILT EQUIPMENT MEETING COCOM EMBARGO PARAMETERS WAS NOT CONSIDERED IN THIS CONTEXT SINCE IT RAISES MANY PROBLEMS. FOR EXAMPLE, IT WOULD BE DIFFICULT TO ESTABLISH THAT A READ-WRITE HEAD PRODUCED IN A PROSCRIBED AREA REALLY FUNCTIONED PROPERLY AFTER IT WAS MANUFACTURED AND THAT ITS "RECONDITIONING" IN THE WEST WOULD BE NOTHING MORE THAN A PLOY TO HAVE A WESTERN FIRM COMPLETE THE FABRICATION PROCESS. RECONDITIONING OF BLOC PRODUCED COMMODITIES COULD ALSO INVOLVE PROBLEMS TOUCHING ON TECHNOLOGY TRANSFERS. ON BALANCE, WE BELIEVE THIS ISSUE IS A THORNY ONE AND A COCOM PROCEDURE TO ACCOMMODATE SUCH SITUATIONS WOULD WARRANT CONSIDERABLE STUDY WHICH WOULD HAVE TO TAKE PLACE SEPARATELY IF THE COMMITTEE WISHES TO PURSUE IT.

4. FOR THE CASE WHERE THE RECONDITIONING WAS TO BE DONE BY A FIRM OTHER THAN THE ORIGINAL SUPPLIER OR ITS AFFILIATE, WE SUGGESTED A PROCEDURE WE BELIEVE WOULD BE LESS BURDENSOME THAN THE REGULAR EXCEPTION PROCEDURE AND WOULD REQUIRE ONLY THAT THE FIRM SECURE THE COMMITTEE'S AGREEMENT TO THE FIRST SUCH RECONDITIONING OF THAT TYPE OF EQUIPMENT. SUBSEQUENT RECONDITIONING OF THAT TYPE OF ITEM COULD BE PERFORMED WITHOUT REFERRAL TO THE COMMITTEE BUT
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WOULD BE REPORTED AFTER THE FACT. THIS APPEARS TO US TO BE LESS COMPLICATED AND BURDENSOME THAN THE PROCEDURE SUGGESTED BILATERALLY BY THE BELGIAN DEL AS GIVEN IN PARA 10 OF REFTTEL. HOWEVER, WE BELIEVE THAT BOTH PROPOSALS ARE IN THE SAME SPIRIT BUT CANNOT AT THIS TIME GIVE USDEL AUTHORITY TO ACCEPT THE BELGIAN PROPOSAL PROPOSED BILATERALLY IN THIS REGARD. WE WOULD ALSO LIKE FURTHER DETAILS ON IT FOR OUR STUDY.

5. PROVIDED USDEL SEES NO PROBLEM THAT WOULD ARISE THEREBY, USDEL REQUESTED APPROACH BELGIAN DEL AND EXPLAIN AS ABOVE. USDEL SHOULD NOTE THAT US PROPOSAL INITIALLY SUBMITTED IN SPIRIT OF COMPROMISE TO MEET LEGITIMATE BELGIAN AND OTHER PC'S COMMERCIAL CONCERNS WHILE NOT INCREASING STRATEGIC RISKS THAT COULD RESULT FROM UNMONITORED RECONDITIONING OF EMBARGOED EQUIPMENT WHICH COULD OCCUR IF REFERENCE TO PARA 9(C) WERE DELETED FROM PARA 9 (D) OF REG (77)1, AS IS PROPOSED IN BELGIAN RECONDITIONING PROPOSAL CONTAINED IN PROC (77) 3. VANCE

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